



SOUTHERN ENERGY CORP. ANNOUNCES AMENDED AND RESTATED CREDIT FACILITY

Calgary, Alberta – July 20, 2020 – Southern Energy Corp. ("Southern" or the "Company") (SOU: TSXV), an established natural gas and oil producer with U.S.-based assets, today announces that Southern Energy Corporation (Delaware), a wholly-owned subsidiary of the Company, has completed the redetermination of its senior secured credit facilities (the "**Credit Facility**"). The Company and its lender have agreed to amend the Credit Facility effective as of July 20, 2020 pursuant to an Amended and Restated Credit Agreement (the "**Agreement**"). The Agreement amends certain terms to provide Southern with additional financial flexibility. Key amendments include:

- Redetermination of borrowing base limit to US\$13.9 million, comprised of a US\$8.5 million conforming borrowing base facility (the "**Conforming Facility**") and a US\$5.4 million non-conforming borrowing base facility (the "**Non-Conforming Facility**")
- Southern's Non-Conforming Facility has a coupon 50 basis points above existing Credit Facility rates. The Non-Conforming Facility has a maturity date of September 1, 2020, being the next redetermination date, and the Conforming Facility has a maturity date of February 1, 2021
- Amendment of the Credit Facility financial covenants to avoid non-compliance for the balance of 2020

The Company expects that the Agreement will provide sufficient liquidity to execute on its business plan through the remainder of 2020. Upon execution of the Agreement, the Company intends to make a principal payment of US\$100,000, further demonstrating Southern's commitment to strengthening its balance sheet and enhancing ongoing financial flexibility.

Strong Hedge Position In-Place

As previously disclosed on May 26, 2020, Southern has secured fixed price hedges on 6,000 Mcf/d of natural gas production, representing approximately 50% of current production volumes, at an average price of US\$2.55/Mcf. Southern also monetized its oil hedge positions through a buy-back swap for 75 bbls/d of oil production, resulting in proceeds of approximately US\$68 thousand per month for the remainder of 2020. The Company has close to 45% of its budgeted 2021 natural gas production hedged at an average price of US\$2.45/Mcf through December 2021, positioning Southern well to weather further commodity price volatility. The Company's management team anticipates that the increase in structural demand for natural gas in the United States, combined with the lack of capital spending on supply additions through drilling for dry gas or associated gas, will encourage stronger gas prices for both the coming year as well as for the longer term.

Operations Update

On June 12, 2020, Southern resumed production from its Mechanicsburg assets, which had been shut-in due to a third-party pipeline force majeure event since March 2020 (see March 26, 2020 press release for additional information). The assets are currently producing approximately 575 boe/d (88% natural gas). The resumption of production from the Mechanicsburg assets materially

improves Southern's sustainability as the volumes represent approximately 25% of current corporate production.

Southern has continued to take steps in the first half of 2020 to weather the challenging operating environment while prioritizing protection of its balance sheet and preservation of value. Southern's high-quality assets and low 12% decline rate is supported by maintaining a disciplined and conservative capital expenditure program of \$0.25 million for the remainder of 2020. The Company anticipates sustaining production levels and generating excess adjusted funds flow at current price levels that can be allocated to debt repayment.

About Southern Energy Corp.

Southern Energy Corp. is an oil and natural gas exploration and production company. Southern has a primary focus on acquiring and developing conventional light oil and natural gas resources in the southeast Gulf States of Mississippi and Alabama. Our management team has a long and successful history working together and have created significant shareholder value through accretive acquisitions, optimization of existing oil and natural gas fields and the utilization of horizontal drilling and multi-staged fracture completion techniques.

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Forward Looking Statements. *Certain information included in this press release constitutes forward-looking information under applicable securities legislation. Forward-looking information typically contains statements with words such as "anticipate", "believe", "expect", "plan", "intend", "estimate", "propose", "project" or similar words suggesting future outcomes or statements regarding an outlook. Forward-looking information in this press release may include, but is not limited to, statements concerning the anticipated benefits of the Agreement, anticipated principal payments under the Credit Facility, the Company's 2020 capital expenditure program, anticipated production levels, market conditions and expected commodities pricing.*

The forward-looking statements contained in this press release are based on certain key expectations and assumptions made by Southern, including the timing of and success of future drilling, development and completion activities, the performance of existing wells, the performance of new wells, the availability and performance of facilities and pipelines, the geological characteristics of Southern's properties, the characteristics of its assets, the successful application of drilling, completion and seismic technology, benefits of current commodity pricing hedging arrangements, prevailing weather conditions, prevailing legislation affecting the oil and gas industry, commodity prices, royalty regimes, exchange rates, the application of regulatory and licensing requirements, the availability of capital, labour and services, the creditworthiness of industry partners and the ability to source and complete asset acquisitions.

Although Southern believes that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements because Southern can give no assurance that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, risks associated with the oil and gas industry in general (e.g., operational risks in development, exploration and production; the uncertainty of reserve estimates; the uncertainty of estimates and projections relating to production, costs and expenses, and health, safety and environmental risks), constraint in the availability of services, commodity price and exchange rate fluctuations, changes in legislation impacting the oil and gas industry, adverse weather or break-up conditions, uncertainties resulting from potential delays or changes in plans with respect to exploration or development projects or capital expenditures and deterioration in general economic conditions due to, among other things, the actions of oil and gas producing countries and the impact of COVID-19. These and other risks are set out in more detail in Southern's Annual Information Form for the year ended December 31, 2019.

The forward-looking information contained in this press release is made as of the date hereof and Southern undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, unless required by applicable securities laws. The forward-looking information contained in this press release is expressly qualified by this cautionary statement.

MCFE/BOE Disclosure. *Natural gas liquids volumes are recorded in barrels of oil (bbl) and are converted to a thousand cubic feet equivalent ("Mcf") using a ratio of six (6) thousand cubic feet to one (1) barrel of oil (bbl). Natural gas volumes recorded in thousand cubic feet (Mcf) are converted to barrels of oil equivalent ("boe") using the ratio of six (6) thousand cubic feet to one (1) barrel of oil (bbl). Mcfe and boe may be misleading, particularly if used in isolation. A boe conversion ratio of 6 mcf:1 bbl or a Mcfe conversion ratio of 1 bbl:6 Mcf is based in an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. In addition, given that the value ratio based on the current price of oil as compared with natural gas is significantly different from the energy equivalent of six to one, utilizing a boe conversion ratio of 6 mcf:1 bbl or a Mcfe conversion ratio of 1 bbl:6 Mcf may be misleading as an indication of value.*

Non-IFRS Measures. *This press release refers to certain financial measures, such as adjusted funds flow from operations, that do not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other issuers. Adjusted funds flow from operations is calculated based on cash flow from operative activities before changes in non-cash working capital and cash decommissioning expenditures. Southern uses adjusted funds flow from operations to help evaluate its financial and operating performance as well as its liquidity and leverage. Investors are cautioned, however, that non-IFRS measures should not be construed as an alternative to net income (loss) determined in accordance with IFRS as an indication of Southern's performance. Please refer to the Southern's most recent Management's Discussion and Analysis for additional information relating to non-IFRS measures, which is available on the Company's website at www.southernenergycorp.com and filed on SEDAR.*

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